GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:1534
ANSWERED ON:10.03.2008
INDEBTED FARMERS
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Will the Minister of AGRICULTURE be pleased to state:

(a) whether majority of farmers in the country don`t have access to banks and have to depend upon moneylenders who charge very high rates of interest;

(b) if so, the reaction of the Government thereto and action taken thereon;

(c) whether the Government has examined the report of the Rangarajan Committee and the National Commission on farmers in this regard; and

(d) if so, the details thereof and action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a): As per the report on Indebtedness of Farmer Households released by National Sample Survey Organization in May, 2005 (Report No. 498), the most important source of loan in terms of percentage of outstanding loan amount was banks (36%), followed by moneylenders (26%).

(b) to (d): The Government has examined the reports of various committees/groups including the report of the Rangarajan Committee and the National Commission on Farmers regarding providing more credit facilities to the farmers at a reasonable rate of interest. In consultation with the Reserve Bank of India and National Bank for Agriculture and Rural Development, the Government has initiated several measures in this regard, details of which are annexed.

ANNEXURE

The Government of India has, in recent years, in consultation with the Reserve Bank of India and NABARD, initiated several steps in providing more credit facilities to the farmers. Some of the important initiatives are detailed below:

1. The Reserve Bank had constituted a Working Group to suggest measures to further simplify the procedures so as to reduce the cost and time for obtaining agricultural loans, especially by small and marginal farmers. Three recommendations, viz., dispensing with no dues certificate (NDC) for small loans upto Rs.50,000; considering opening of counselling centres and extending credit to the landless labourers, sharecroppers and oral lessees based on the certificates provided by local administration/Panchayati Raj institutions of the Working Group were accepted and banks were advised accordingly.

2. Based on the Interim Recommendations of the Committee on Financial inclusion headed by Dr. C Rangarajan, constitution of two Funds, i.e., the `Financial Inclusion Fund` with NABARD, for meeting the cost of developmental and promotional interventions, and a `Financial Inclusion Technology Fund` to meet the costs of technology adoption was announced in the Union Budget (2007-08). Each Fund will have an overall corpus of Rs. 500 crore, with initial funding to be contributed by the Central Government, RBI and NABARD in the ratio of 40:40:20. The implementation of a comprehensive policy for financial inclusion is expected to increase the access of vulnerable sections of the rural population to financial services, including credit.

3. Based on the final report of the Committee on Financial Inclusion, the following has been proposed in the Union Budget 2008-09:

to advise commercial banks, including RRBs, to add at least 250 rural household accounts every year at each of their rural and semi-urban branches; and

to allow individuals such as retired bank officers, ex-servicemen etc to be appointed as business facilitator or business correspondent or credit counsellor.

4. It has been proposed in the Union Budget 2008-09 that Banks will be encouraged to embrace the concept of Total Financial Inclusion. All scheduled commercial banks will be advised to meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage etc and

(c) debt swapping.

5. A scheme of debt waiver and debt relief for farmers estimated to involve an outlay of Rs.60,000 crore, has been announced by the Government in the Union Budget for 2008-09.

6. Considering that high rates of interest often act as a deterrent to farmers from availing farm credit, it was announced in the Union Budget (2006-07), that crop loans upto Rs.3 lakh would be given at 7% rate of interest. Accordingly, crop loans are presently being made available at 7% at the ground level by almost all banks with interest subvention from the Government of India. This scheme is continued for 2007-08 and 2008-09 also.

7. Banks have also been advised to :
i. simplify the procedure for documentation in respect of agricultural loans;
ii. loans upto Rs. 50,000/- have been made collateral free;
iii. to provide all eligible farmers with Kisan Credit Cards to enable them to have hassle free access to credit.

8. As part of the measures announced by the Reserve Bank of India for financial inclusion, banks have been advised to issue General Credit Cards upto Rs. 25,000/- without insisting on security and end use of funds.

9. The Government of India announced a comprehensive Farm Credit Package in June 2004 for doubling the credit to agriculture in three years (2004-05 to 2006-07), which, among other things, stipulated the following :

i. The scheduled banks (Commercial banks and RRBs) were advised to finance 50 lakh new farmers during each of the three years. The target of covering 50 lakh new farmers has been surpassed during each of the three years.

ii. The Package also included certain debt relief measures for farmers in distress and farmers in arrears to enable them to get fresh credit. Besides, One Time Settlement (OTS) scheme for small and marginal farmers and relief to farmers indebted to non institutional lenders such as moneylenders etc. were also implemented to enable them to access fresh credit from banks.

10. To improve the outreach among the poor and the informal sector, NABARD has pioneered the SHG-Bank linkage programme which has since become the largest SHG programme in the world. Banks have also been advised to finance Joint Liability Groups(JLGs) and Tenant Farmers` Groups(TFGs).

11. Banks have been advised to undertake, on a pilot basis, 100% financial inclusion in at least one district in each State. Based on the success of the pilot, the State Level Bankers Committee in the States will draw a time-table for achieving 100% financial inclusion in other districts of the State.

12. To improve the financial outreach, detailed guidelines for Banking Correspondent/Banking Facilitator models have been provided to banks by RBI.

13. Pilots have also been undertaken for improving outreach in areas with difficult geographical terrain/remote areas (experiencing lack of infrastructure and where banks may find it uneconomical to open branches) through the use of Technology (including information technology). Many banks are examining ways and means to replicate the pilot.

14. In order to mitigate distress of farmers in 31 debt-ridden districts of Maharashtra(6), Andhra Pradesh(16), Karnataka(6) and Kerala(3), the Hon`ble Prime Minister announced a Rehabilitation Package, including waiver of entire interest on overdue agricultural loans as on 01.07.2006, so as to make farmers immediately eligible for fresh loans from the banking system. Additional farm credit flow is being ensured in these 31 districts through the banking sector.

15. The Cooperative credit system, which are the main financial institution for catering to the credit needs of the farmers more particularly the small and marginal farmers, have become sick due to financial, structural and managerial weaknesses. In order to revive the short-term rural cooperative credit institutions, a package of measures as recommended by the Vaidyanathan Committee with estimated financial outlay of Rs 13596 crore, is under implementation. So far, 17 States, viz. Andhra Pradesh, Arunachal Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Nagaland, Rajasthan, Orissa, Punjab, Tamil Nadu, Tripura, Uttarakhand, Uttar Pradesh and West Bengal have executed the MoUs with Government of India and NABARD for implementation of the revival package.

16. The Central Government and the State Governments have reached an agreement on the content of the package to implement the Prof. Vaidyanathan Committee`s report on reviving the long-term cooperative credit structure. The cost of the package is estimated at Rs.3,074 crore, of which the Central Government`s share will be Rs.2,642 crore or 86 per cent of the total burden.